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ELECTRIC SERVICE

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U. S. Department of Agriculture

- INFORMATION FOR POWER CONSUMERS ON LINES THAT ARE NOW, OR MAY BECOME PART OF AN ELECTRIC DISTRIBUTION SYSTEM FINANCED BY LOAN THROUGH THE

U.S. RURAL ELECTRIFICATION
ADMINISTRATION

U.S. GOVERNMENT PRINTING OFFICE 1943 12-1000



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THIS leaflet is addressed to consumers who have been receiving service from a private system that may become or is now a part of a cooperative electric system financed by a loan from the Rural Electrification Administration.

Possibly you already know what this transfer of line ownership means to you and your community, and you are wholeheartedly in favor of it. However, it is sometimes difficult to explain to others something that is quite clear to one's self. We shall therefore attempt to answer simply and directly some of the questions your neighbors may ask who are not so well acquainted with the way cooperatives work and who do not fully understand the REA program. In such limited space it is possible to consider questions of a general nature only, but you will no doubt readily see their application to your local situation. Here are some typical questions asked most frequently:

What is the Government's part in an REA co-op acquisition?

What is an REA electric co-op?

If I join the REA co-op will I be personally liable for any part of its debts or losses?
Can I expect better or cheaper electric service as a result of this change?

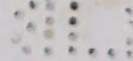
Will I have to rewire my house in compliance with Government regulations?

Are REA co-ops successful business enterprises?

What will I gain by becoming a member of the REA co-op?

What is the Government's Part in an REA Co-op Acquisition?

The Rural Electrification Administration was set up by an act of Congress for the purpose of getting rural areas in America electrified, and Congress has appropriated





money to be loaned by REA for that purpose. It is now operating in 45 States, has been taken up by people in more than 2,000 counties of the 3,070 counties of the Nation, and has brought electricity to about one million farm and nonfarm families and small industries in rural areas. REA loans money to electric cooperatives at a low interest rate and allows each co-op up to 25 years to pay it back. While this interest rate is slightly higher than the interest rate paid by the Government on borrowed money, so as to insure the public treasury against loss, it is still much lower than REA co-ops would generally have to pay for private financing. REA also provides advisory services to co-ops to assure efficient and economical management and operation. But REA does not manage or operate these electric cooperative systems. When the Government loan has been repaid in full, complete ownership and control will be vested locally in the membership of an REA co-op and REA will be entirely out of the local picture. An acquisition of an existing utility line by an REA co-op is merely the expansion of a local community enterprise. The Government's part in such an acquisition is confined to supplying advisory service and making the necessary loan.

What is an Electric REA Co-op?

An REA co-op is a community enterprise through which people living in rural neighborhoods provide electric service to themselves with the help of REA. It is an association incorporated under the State law as a cooperative nonprofit enterprise. Control is in the hands of all user-members who have equal voting rights—one member, one vote. Directors or trustees are elected annually by and from

the members, and are responsible to the members. Management and day-to-day operation is in the hands of a manager who hires other needed help as approved by the board. The manager is responsible to the board, and the board supervises the management to make sure that it functions economically and efficiently. REA's advisory service is designed to assist the board and the management in this effort.

Are Members Personally Liable for Debts or Losses of an REA Co-op?

Definitely not. They are exempted from individual liability by the law in all States, except that the Michigan law imposes a limited liability with regard to labor performed.

Will Co-op Management Result in Better Service At Less Cost?

An REA co-op is a nonprofit, service organization whose main purpose is to provide its members with the best possible electric service at the lowest cost consistent with sound economy and good management. It does not have to earn profits for investors. Also, many economies are practiced by co-op members which reduce operating costs.

For example, REA has developed and cooperatives have used successfully for several years the widely copied post-card self-meter-reading and even self-billing by the consumers. Low operating costs are reflected in low electric rates. It has been the experience of many co-ops acquiring existing lines that they could provide better service at lower electric rates. Where a decrease is not immediately possible, the principle of nonprofit operation is an assurance that electric rates will be reduced as soon as possible.



How Can the Members Be Sure That This Plan Will Work?

Control of an REA co-op is strictly democratic and is in the hands of its members. Every member has an equal vote with each fellow member in determining cooperative policies and enforcing sound and economical management. Seven years of operation of the REA program have demonstrated the success of the plan.

The bylaws establish the principal of equal representation on the Board of Directors. This means that all groups of consumer-members, whether farmers or residents of small towns, are entitled to be represented on the board.

If the Board Disregards the Will of the Membership What Can Be Done?



This will rarely happen because the board does not consist of outsiders. If, however, the board does not follow the will of the members, the by-laws provide the remedy. The members can either wait until the next regular members' meeting, or if the condition warrants, a special members' meeting may be called by a minority of the board or by written request of 10 percent or more of the members. At such a meeting the members can take any necessary action. Thus, the members are in a position at all times to apply corrective measures.

If My House Is Already Wired Does it Have To Meet Any Special Wiring Regulations?

No. Of course, the cooperatives and REA consider it important that all house wiring should meet recognized safety standards. If the present house wiring is obsolete or defective it would be advisable to call on the cooperative to arrange for an inspection of the wiring. All new wiring instal-

lations must be inspected in order to conform with accepted safety requirements and standards.

Are REA Co-ops Successful Business Enterprises?

With powers of control vested in the hands of members, electric cooperative management has been amazingly successful. Of all principal and interest payments due the REA from 789 cooperatives in the Nation as of June 30, 1942, \$25,574,582 has been paid. In addition, \$6,366,846 advance payment on principal had been made as of that date by 392 borrowers. Only \$181,914 remained overdue at that time.

The reason for such amazing record is obvious. Co-op members insist upon and obtain efficient and economical management which enables the cooperatives to liquidate their obligations promptly and at the same time maintain good service at low cost.

What Will I Gain by Becoming a Member of an REA Co-op?

You become a part-owner of your cooperative with a member's right to participate in its business affairs.

You have a voice in controlling its operating costs and in keeping service standards high and rates low.

You know what costs enter into your electric rates.

You know that you will get service at cost since no profits will have to be earned for stockholders or outside investors.

You know that eventually your co-op will repay all of the debt it owes the Government. Then, when no more payments are required to cover interest and amortization, the cooperative principle of service at cost will mean a further reduction in rates to consumer-members.

As a member you do not have to take all this on faith. Read the bylaws carefully; see how you and your fellow members can be assured that it is a reality.

